



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Property Tax Estimates: Governor and 2009 Act 28

This memorandum compares estimated property tax levels and tax bills under AB 75, as proposed by the Governor, and under 2009 Wisconsin Act 28.

On April 8, 2009, this office distributed a memorandum entitled, "Assembly Bill 75: Property Tax Estimates" that provided estimates of property tax levels under AB 75, as proposed by the Governor. The memorandum identified proposed changes to municipal, county, and school district fiscal control programs and considered funding levels for state aid and property tax credit programs. Based on this information, statewide gross property tax levels were estimated to increase by 5.0% in 2009(10) and 5.2% in 2010(11). The memorandum also projected the impact of these tax changes on homeowners by estimating the tax bills on a median-valued home taxed at statewide average tax rates. These estimates assume that the median home value will decline in value by 3.0% in 2009 and by 1.0% in 2010 while the statewide value of all types of properties will decline by 0.8% in 2009 and will increase by 0.2% in 2010. By combining the estimates of property values and statewide property tax levels, the tax bill on a median-valued home taxed at statewide average tax rates was estimated to increase by 3.2% (\$91) in 2009(10) and by 4.5% (\$134) in 2010(11).

The Legislature modified several provisions affecting property tax levels in its adoption of AB 75. For counties and municipalities, modifications included creating three additional adjustments to the levy limit program, increasing funding for general transportation aids, decreasing state aid payments for county and municipal aids and recycling grants, and providing adjustments to the expenditure restraint program's budget test. For school districts, revenue limits were modified to reduce the per pupil adjustment, maintain the current law low revenue ceiling for the 2009-11 biennium, delay the three revenue limit adjustments proposed in AB 75, and create an additional adjustment. General school aids funding was also reduced. Compared to the Governor, these modifications are estimated to increase county and municipal property tax levels by \$10.4 million in 2009(10) and \$20.9 million in 2010(11) and increase school district property tax levels by \$87.0

million in 2009(10) and \$50.0 million in 2010(11). In 2008(09), county, municipal, and school district levies comprised over 90% of statewide property tax levies, exclusive of amounts levied in tax increment districts. Finally, funding for the first dollar credit was increased by \$70 million for 2009(10) and \$75 million for 2010(11). In making these changes, the Legislature's policy goal was to keep the estimated increase in the property tax bill on a median valued home in the 2009-11 biennium at or below the original AB 75 estimates.

As a result of the preceding changes, gross property tax levies are estimated to increase on a statewide basis by 6.0% in 2009(10) and 4.9% in 2010(11), and net tax levies would increase by an estimated 5.8% in 2009(10) and 5.4% in 2010(11). These tax changes would translate into tax bills for a median-valued home estimated at \$2,949 in 2009(10) and \$3,072 in 2010(11). These represent increases of \$93 (3.3%) in 2009(10) and \$123 (4.2%) in 2010(11).

Compared to the original AB 75 estimates, gross property taxes would be higher by \$101.0 million in 2009(10) and \$73.5 million in 2010(11). However, due to the additional funding for the first dollar credit and slightly higher funding for the lottery and gaming credit, net property taxes would be higher by \$28.5 million in 2009(10) and would be lower by \$4.0 million in 2010(11). Tax bill estimates are \$2 higher in 2009(10) and \$9 lower in 2010(11); therefore, over the two years of the biennium, estimated taxes on a median-valued home would be \$7 lower under Act 28 than under AB 75. The attached table reports statewide property tax estimates and estimated tax bills for 2009(10) and 2010(11) under AB 75, as proposed by the Governor, and under Act 28.

The tax bill estimates in this memorandum are for the state as a whole. The impacts in individual municipalities could vary considerably from these figures.

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Attachment

ATTACHMENT

Property Tax Estimates Under AB 75, as Proposed by the Governor, and Under 2009 Wisconsin Act 28

	<u>2008(09)</u>	<u>Original AB 75 (Governor)</u>		<u>Act 28 (Legislature)</u>	
		<u>2009(10)</u>	<u>2010(11)</u>	<u>2009(10)</u>	<u>2010(11)</u>
Tax Levies (In Millions)					
Municipalities	\$2,299.0	\$2,406.1	\$2,518.2	\$2,416.5	\$2,539.1
Counties	1,856.1	1,924.9	1,996.9	1,924.9	1,996.9
School Districts	4,279.0	4,537.0	4,829.0	4,624.0	4,879.0
Technical College Districts	714.6	740.0	770.0	740.0	770.0
Tax Increment Districts	335.4	352.2	370.7	355.8	373.3
Special Purpose Districts	95.7	99.0	102.3	99.0	102.3
State Forestry	<u>87.3</u>	<u>86.6</u>	<u>86.8</u>	<u>86.6</u>	<u>86.8</u>
Gross Property Tax Levies	\$9,667.1	\$10,145.8	\$10,673.9	\$10,246.8	\$10,747.4
Change to Prior Year		478.7	528.1	579.7	500.6
Change to Original AB 75				101.0	73.5
Net Property Tax Levies	\$8,731.1	\$9,206.2	\$9,736.0	\$9,234.7	\$9,732.0
Change to Prior Year		475.1	529.8	503.6	497.3
Change to Original AB 75				28.5	-4.0
Percent Change					
Municipalities		4.7%	4.7%	5.1%	5.1%
Counties		3.7	3.7	3.7	3.7
School Districts		6.0	6.4	8.1	5.5
Technical College Districts		3.6	4.1	3.6	4.1
Tax Increment Districts		5.0	5.3	6.1	4.9
Special Purpose Districts		3.4	3.3	3.4	3.3
State Forestry		-0.8	0.2	-0.8	0.2
Gross Property Tax Levies		5.0%	5.2%	6.0%	4.9%
Net Property Tax Levies		5.4	5.8	5.8	5.4
Tax Bill Estimates					
Median-Valued Home	\$171,840	\$166,685	\$165,018	\$166,685	\$165,018
Tax Bill Estimates	\$2,856	\$2,947	\$3,081	\$2,949	\$3,072
Change to Original AB 75				\$2	-\$9
Change Over Prior Year					
- Amount		\$91	\$134	\$93	\$123
- Percent		3.2%	4.5%	3.3%	4.2%